

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 16, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$13,000,000

Project Information:
Name: Las Brisas Apartments
Project Address: 4339-4379 Elizabeth Street & 4350-4394 Clara Street
Project City, County, Zip Code: Cudahy, Los Angeles, 90201

Project Sponsor Information:
Name: ISG Las Brisas, L.P. (ISG Development LLC and National Housing Corporation)
Principals: Gary P. Downs, Stephen Ho and Denny Hou for ISG Development LLC; Megan Birnkrant for National Housing Corporation
Property Management Company: Hyder Property Management Professionals

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: May 22, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 99, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project is an existing development comprised of 12 two-story walk-up buildings plus an office/community building built in 1971 located at 4343 Elizabeth Street, Cudahy, California. The Subject consists of 12 one-bedroom, 81 two-bedrooms, and 7 three-bedroom units. Amenities include a leasing administrative office, community room with full kitchenette, two computer stations, play area, basketball court, picnic/BBQ area, and two laundry facilities. There are 186 carport parking spaces, plus 6 office parking spaces. Scope of the Rehabilitation work will include the replacement of existing carport and structures, roof, irrigation system and drainage repair, parking stall re-striping, new signage, repair ADA conditions, painting of carport, install new appliances, plumbing and light fixtures in unit interiors, replacement of gas water heaters, installation of new cabinets in the unit interiors. The anticipated rehabilitation start date is September 30, 2014 with an expected completion date of June 30, 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

20% (20 units) restricted to 50% or less of area median income households.

80% (79 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	16,971,588	
Estimated Hard Costs per Unit:	\$	21,212	(\$2,100,000 /99 units)
Estimated per Unit Cost:	\$	171,430	(\$16,971,588 /99 units)
Allocation per Unit:	\$	131,313	(\$13,000,000 /99 units)
Allocation per Restricted Rental Unit:	\$	131,313	(\$13,000,000 /99 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 13,000,000	\$ 10,445,791
Deferred Developer Equity	\$ 0	\$ 402,057
Deferred Developer Fee	\$ 1,906,554	\$ 1,231,918
LIH Tax Credit Equity	\$ 2,065,034	\$ 4,891,822
Total Sources	\$ 16,971,588	\$ 16,971,588

Uses of Funds:	
Acquisition/Land Purchase	\$ 10,900,000
Rehabilitation Costs	\$ 2,420,000
Relocation	\$ 40,000
Architectural	\$ 52,500
Survey & Engineering	\$ 4,000
Contingency Costs	\$ 262,431
Construction Period Expenses	\$ 342,250
Permanent Financing Expenses	\$ 109,200
Legal Fees	\$ 177,350
Capitalized Reserves	\$ 514,653
Reports & Studies	\$ 15,900
Other	\$ 226,750
Developer Costs	\$ 1,906,554
Total Uses	\$ 16,971,588

Description of Financial Structure and Bond Issuance:

This is a CalHFA conduit bond issuance with Citibank, N.A. as the private placement purchaser. Construction Phase Bond amount will be \$13,000,000, not to exceed 80% Loan to Cost, 24 months, plus one 6-month extension. Perm loan term of 30 years with 35 years amortization. At the end of the 16th year following the Closing Date, CITI, in its sole discretion, can require repayment of the loan in full (upon not less than six (6) months prior written notice), terms set as a fixed rate equal to the sum of the 16 year LIBOR swap index plus a spread of 1.80%. Currently, the 16 year LIBOR swap index is 3.20% for a current indicative rate of 5.00%. The rate includes a 5bps servicing fee. The rate does not include Issuer, Trustee, or miscellaneous third party fees. The rate will be committed at the time of closing of the Construction Phase financing. Pricing is based on current market conditions and CITI agrees to hold the spread through the Closing Date, barring any major adverse changes in capital markets credit conditions. Conversion requirements include completion of construction and 90% physical occupancy of Project for three consecutive calendar months. CITI will review the Property's net operating income to determine the maximum Permanent Phase Loan Amount based on the Debt Service Coverage and Loan-to-Value from Closing until 6 months prior to the end of the 16th year following Closing.

Analyst Comments:

Not Applicable

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 57.8 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$13,000,000 in tax exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	30
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	4.8
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	8
Negative Points	-10	-10	0
Total Points	130	100	57.8

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.